

Senate Study Bill 3217 - Introduced

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON BOLKCOM)

A BILL FOR

1 An Act relating to state taxation and related budgetary
2 matters, including state sales and use taxes, the natural
3 resources and outdoor recreation trust fund, and the state
4 individual income tax, and including effective date and
5 applicability provisions.
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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DIVISION I
SALES AND USE TAXES AND THE NATURAL RESOURCES AND OUTDOOR
RECREATION TRUST FUND

Section 1. Section 423.2, subsection 1, unnumbered paragraph 1, Code 2014, is amended to read as follows:

There is imposed a tax ~~of six percent~~ at the rate specified in subsection 13 upon the sales price of all sales of tangible personal property, consisting of goods, wares, or merchandise, sold at retail in the state to consumers or users except as otherwise provided in this subchapter.

Sec. 2. Section 423.2, subsections 2 and 3, Code 2014, are amended to read as follows:

2. A tax ~~of six percent~~ at the rate specified in subsection 13 is imposed upon the sales price of the sale or furnishing of gas, electricity, water, heat, pay television service, and communication service, including the sales price from such sales by any municipal corporation or joint water utility furnishing gas, electricity, water, heat, pay television service, and communication service to the public in its proprietary capacity, except as otherwise provided in this subchapter, when sold at retail in the state to consumers or users.

3. A tax ~~of six percent~~ at the rate specified in subsection 13 is imposed upon the sales price of all sales of tickets or admissions to places of amusement, fairs, and athletic events except those of elementary and secondary educational institutions. A tax ~~of six percent~~ at the rate specified in subsection 13 is imposed on the sales price of an entry fee or like charge imposed solely for the privilege of participating in an activity at a place of amusement, fair, or athletic event unless the sales price of tickets or admissions charges for observing the same activity are taxable under this subchapter. A tax ~~of six percent~~ at the rate specified in subsection 13 is imposed upon that part of private club membership fees or charges paid for the privilege of participating in any athletic

1 sports provided club members.

2 Sec. 3. Section 423.2, subsection 4, paragraph a, Code 2014,
3 is amended to read as follows:

4 a. A tax ~~of six percent~~ at the rate specified in subsection
5 13 is imposed upon the sales price derived from the operation
6 of all forms of amusement devices and games of skill, games of
7 chance, raffles, and bingo games as defined in chapter 99B, and
8 card game tournaments conducted under section 99B.7B, that are
9 operated or conducted within the state, the tax to be collected
10 from the operator in the same manner as for the collection of
11 taxes upon the sales price of tickets or admission as provided
12 in this section. Nothing in this subsection shall legalize any
13 games of skill or chance or slot-operated devices which are now
14 prohibited by law.

15 Sec. 4. Section 423.2, subsection 5, Code 2014, is amended
16 to read as follows:

17 5. There is imposed a tax ~~of six percent~~ at the rate
18 specified in subsection 13 upon the sales price from the
19 furnishing of services as defined in section 423.1.

20 Sec. 5. Section 423.2, subsection 7, paragraph a,
21 unnumbered paragraph 1, Code 2014, is amended to read as
22 follows:

23 A tax ~~of six percent~~ at the rate specified in subsection 13
24 is imposed upon the sales price from the sales, furnishing, or
25 service of solid waste collection and disposal service.

26 Sec. 6. Section 423.2, subsection 8, paragraph a, Code 2014,
27 is amended to read as follows:

28 a. A tax ~~of six percent~~ at the rate specified in subsection
29 13 is imposed on the sales price from sales of bundled
30 transactions. For the purposes of this subsection, a "*bundled*
31 *transaction*" is the retail sale of two or more distinct and
32 identifiable products, except real property and services to
33 real property, which are sold for one nonitemized price. A
34 "*bundled transaction*" does not include the sale of any products
35 in which the sales price varies, or is negotiable, based on

1 the selection by the purchaser of the products included in the
2 transaction.

3 Sec. 7. Section 423.2, subsection 9, Code 2014, is amended
4 to read as follows:

5 9. A tax ~~of six percent~~ at the rate specified in
6 subsection 13 is imposed upon the sales price from any mobile
7 telecommunications service, including all paging services,
8 that this state is allowed to tax pursuant to the provisions
9 of the federal Mobile Telecommunications Sourcing Act, Pub.
10 L. No. 106-252, 4 U.S.C. § 116 et seq. For purposes of this
11 subsection, taxes on mobile telecommunications service, as
12 defined under the federal Mobile Telecommunications Sourcing
13 Act that are deemed to be provided by the customer's home
14 service provider, shall be paid to the taxing jurisdiction
15 whose territorial limits encompass the customer's place of
16 primary use, regardless of where the mobile telecommunications
17 service originates, terminates, or passes through and
18 shall in all other respects be taxed in conformity with
19 the federal Mobile Telecommunications Sourcing Act. All
20 other provisions of the federal Mobile Telecommunications
21 Sourcing Act are adopted by the state of Iowa and incorporated
22 into this subsection by reference. With respect to mobile
23 telecommunications service under the federal Mobile
24 Telecommunications Sourcing Act, the director shall, if
25 requested, enter into agreements consistent with the provisions
26 of the federal Act.

27 Sec. 8. Section 423.2, subsection 11, paragraph b,
28 subparagraph (2), Code 2014, is amended to read as follows:

29 (2) Transfer from the remaining revenues the amounts
30 required under Article VII, section 10, of the Constitution
31 of the State of Iowa to the natural resources and outdoor
32 recreation trust fund created in section 461.31, ~~if applicable~~.

33 Sec. 9. Section 423.2, subsection 13, Code 2014, is amended
34 by striking the subsection and inserting in lieu thereof the
35 following:

1 13. *a.* For the period beginning January 1, 2016, and ending
2 December 31, 2016, the sales tax rate is six and one-eighth
3 percent.

4 *b.* For the period beginning January 1, 2017, and ending
5 December 31, 2017, the sales tax rate is six and two-eighths
6 percent.

7 *c.* For the period beginning January 1, 2018, and ending
8 December 31, 2029, the sales tax rate is six and three-eighths
9 percent.

10 *d.* Beginning January 1, 2030, the sales tax rate is five and
11 three-eighths percent.

12 Sec. 10. Section 423.5, subsection 1, unnumbered paragraph
13 1, Code 2014, is amended to read as follows:

14 Except as provided in paragraph "*c*", an excise tax at the
15 ~~rate of six percent~~ specified in subsection 5 of the purchase
16 price or installed purchase price is imposed on the following:

17 Sec. 11. Section 423.5, subsection 5, Code 2014, is amended
18 by striking the subsection and inserting in lieu thereof the
19 following:

20 5. *a.* For the period beginning January 1, 2016, and ending
21 December 31, 2016, the use tax rate is six and one-eighth
22 percent.

23 *b.* For the period beginning January 1, 2017, and ending
24 December 31, 2017, the use tax rate is six and two-eighths
25 percent.

26 *c.* For the period beginning January 1, 2018, and ending
27 December 31, 2029, the use tax rate is six and three-eighths
28 percent.

29 *d.* Beginning January 1, 2030, the use tax rate is five and
30 three-eighths percent.

31 Sec. 12. Section 423.43, subsection 1, paragraph b, Code
32 2014, is amended to read as follows:

33 *b.* Subsequent to the deposit into the general fund of the
34 ~~state and after the transfer of such~~ pursuant to paragraph "*a*",
35 the department shall do the following in the order prescribed:

1 (1) Transfer the revenues collected under chapter 423B, the
2 department shall transfer one-sixth.

3 (2) (a) Transfer the applicable percentage as specified
4 in subparagraph division (b) of such remaining revenues to the
5 secure an advanced vision for education fund created in section
6 423F.2.

7 (b) (i) For the period beginning January 1, 2016, and
8 ending December 31, 2016, the applicable percentage is sixteen
9 and three thousand two hundred sixty-five ten-thousandths
10 percent.

11 (ii) For the period beginning January 1, 2017, and ending
12 December 31, 2017, the applicable percentage is sixteen
13 percent.

14 (iii) For the period beginning January 1, 2018, and ending
15 December 31, 2029, the applicable percentage is fifteen and six
16 thousand eight hundred sixty-three ten-thousandths percent.

17 (c) This paragraph subparagraph (2) is repealed December
18 31, 2029.

19 Sec. 13. PURPOSE. The purpose of this division of this Act
20 is to provide for the implementation of Article VII, section
21 10, of the Constitution of the State of Iowa by fully funding
22 the natural resources and outdoor recreation trust fund as
23 created in section 461.31, pursuant to Article VII, section 10,
24 of the Constitution of the State of Iowa.

25 Sec. 14. EFFECTIVE DATE. This division of this Act takes
26 effect January 1, 2016.

27 DIVISION II

28 INDIVIDUAL INCOME TAX

29 Sec. 15. Section 422.5, subsection 3, Code 2014, is amended
30 to read as follows:

31 3. a. (1) The tax shall not be imposed on a resident or
32 nonresident whose net income, as defined in section 422.7,
33 is thirteen thousand five hundred dollars or less equal
34 to or less than the appropriate dollar amount specified in
35 subparagraph (2) in the case of married persons filing jointly

1 or filing separately on a combined return, heads of household,
 2 and surviving spouses or ~~nine thousand dollars or less~~ equal
 3 to or less than the appropriate dollar amount specified in
 4 subparagraph (3) in the case of all other persons; but in the
 5 event that the payment of tax under this division would reduce
 6 the net income to less than ~~thirteen thousand five hundred~~
 7 ~~dollars or nine thousand dollars~~ the appropriate dollar amount
 8 specified in subparagraph (2) or (3), as applicable, then
 9 the tax shall be reduced to that amount which would result
 10 in allowing the taxpayer to retain a net income of ~~thirteen~~
 11 ~~thousand five hundred dollars or nine thousand dollars~~ equal
 12 to the appropriate dollar amount specified in subparagraph (2)
 13 or (3), as applicable. The preceding sentence does not apply
 14 to estates or trusts. For the purpose of this subsection, the
 15 entire net income, including any part of the net income not
 16 allocated to Iowa, shall be taken into account. For purposes
 17 of this subsection, net income includes all amounts of pensions
 18 or other retirement income received from any source which is
 19 not taxable under this division as a result of the government
 20 pension exclusions in section 422.7, or any other state law.
 21 If the combined net income of a husband and wife exceeds
 22 ~~thirteen thousand five hundred dollars~~ the appropriate dollar
 23 amount specified in subparagraph (2), neither of them shall
 24 receive the benefit of this subsection, and it is immaterial
 25 whether they file a joint return or separate returns. However,
 26 if a husband and wife file separate returns and have a combined
 27 net income of ~~thirteen thousand five hundred dollars~~ equal
 28 to or less than the appropriate dollar amount specified in
 29 subparagraph (2), neither spouse shall receive the benefit of
 30 this paragraph, if one spouse has a net operating loss and
 31 elects to carry back or carry forward the loss as provided
 32 in section 422.9, subsection 3. A person who is claimed as
 33 a dependent by another person as defined in section 422.12
 34 shall not receive the benefit of this subsection if the person
 35 claiming the dependent has net income exceeding ~~thirteen~~

1 ~~thousand five hundred dollars or nine thousand dollars~~ the
2 appropriate dollar amount specified in subparagraph (2) or (3),
3 as applicable or the person claiming the dependent and the
4 person's spouse have combined net income exceeding thirteen
5 ~~thousand five hundred dollars or nine thousand dollars~~ the
6 appropriate dollar amount specified in subparagraph (2) or (3),
7 as applicable.

8 (2) (a) For tax years beginning on or after January
9 1, 2016, but before January 1, 2017, the dollar amount is
10 twenty-four thousand seven hundred fifty dollars.

11 (b) For tax years beginning on or after January 1, 2017, but
12 before January 1, 2018, the dollar amount is thirty thousand
13 two hundred fifty dollars.

14 (c) For tax years beginning on or after January 1, 2018, the
15 dollar amount is thirty-five thousand two hundred dollars.

16 3. (a) For tax years beginning on or after January 1,
17 2016, but before January 1, 2017, the dollar amount is twenty
18 thousand two hundred fifty dollars.

19 (b) For tax years beginning on or after January 1, 2017,
20 but before January 1, 2018, the dollar amount is twenty-five
21 thousand seven hundred fifty dollars.

22 (c) For tax years beginning on or after January 1, 2018, the
23 dollar amount is thirty thousand seven hundred dollars.

24 b. In lieu of the computation in subsection 1 or 2, or in
25 paragraph "a" of this subsection, if the married persons',
26 filing jointly or filing separately on a combined return,
27 head of household's, or surviving spouse's net income exceeds
28 ~~thirteen thousand five hundred dollars~~ the appropriate dollar
29 amount specified in paragraph "a", subparagraph (2), the
30 regular tax imposed under this division shall be the lesser of
31 the maximum state individual income tax rate times the portion
32 of the net income in excess of thirteen thousand five hundred
33 ~~dollars~~ the appropriate dollar amount specified in paragraph
34 "a", subparagraph (2), or the regular tax liability computed
35 without regard to this sentence. Taxpayers electing to file

1 separately shall compute the alternate tax described in this
2 paragraph using the total net income of the husband and wife.
3 The alternate tax described in this paragraph does not apply
4 if one spouse elects to carry back or carry forward the loss as
5 provided in section 422.9, subsection 3.

6 Sec. 16. EFFECTIVE DATE. This division of this Act takes
7 effect January 1, 2016.

8 Sec. 17. APPLICABILITY. This division of this Act applies
9 to tax years beginning on or after January 1, 2016.

10 EXPLANATION

11 The inclusion of this explanation does not constitute agreement with
12 the explanation's substance by the members of the general assembly.

13 This bill relates to the state sales and use taxes, the
14 natural resources and outdoor recreation trust fund, and the
15 state individual income tax.

16 DIVISION I — SALES AND USE TAXES. Division I relates
17 to state sales and use taxes and to an amendment to the Iowa
18 Constitution ratified on November 2, 2010, which created a
19 natural resources and outdoor recreation trust fund (fund)
20 and dedicated a portion of state revenues to the fund for
21 the purposes of protecting and enhancing water quality and
22 natural areas in the state including parks, trails, and fish
23 and wildlife habitat, and conserving agricultural soils in
24 the state (Article VII, section 10). The fund is codified in
25 Code section 461.31. Pursuant to the amendment, the amount
26 credited to the fund will be equal to the amount generated
27 by an increase in the state sales tax rate occurring after
28 the effective date of the constitutional amendment, but shall
29 not exceed the amount that a state sales tax rate of 0.375
30 percent would generate. The state sales tax rate has not
31 been increased since the effective date of the constitutional
32 amendment, so no amounts have been credited to the fund. The
33 division increases the sales tax rate and the use tax rate
34 from 6 percent to 6.125 percent on January 1, 2016, from 6.125
35 percent to 6.25 percent on January 1, 2017, and from 6.25

1 percent to 6.375 percent on January 1, 2018. The division
2 also amends the transfer of use tax revenues to the secure
3 an advanced vision for education fund (SAVE) in Code section
4 423F.2 to ensure that SAVE receives approximately the same
5 proportion of the total use tax revenue as it did prior to the
6 use tax rate increases provided in the division.

7 The division takes effect January 1, 2016.

8 DIVISION II — INDIVIDUAL INCOME TAXES. Division II
9 relates to the individual income tax. The division increases
10 the amount of net income at which the individual income tax
11 will not be imposed on a taxpayer who is under 65 years of
12 age. Under current law, the individual income tax is not
13 imposed if net income does not exceed \$13,500 in the case of
14 married persons filing a joint or separate return, a head of
15 household, or a surviving spouse, or \$9,000 in the case of
16 all other taxpayers. The division increases those amounts to
17 \$24,750 or \$20,250, respectively, for tax year 2016; \$30,250
18 or \$25,750, respectively, for tax year 2017; and \$35,200 or
19 \$30,700, respectively, for tax year 2018, and for each tax year
20 thereafter.

21 The division makes a conforming amendment to the calculation
22 of the alternate tax in Code section 422.5(3)(b) for married
23 persons filing a joint or separate return.

24 The division takes effect January 1, 2016, and applies to tax
25 years beginning on or after that date.